2023 Mid-Year Budget Review

Highlights

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August 2023

Contents

Acronyms

Acronym	Meaning
1V1D	One- Village One-Dam Initiative
bn	Billion
CAPEX	Capital Expenditure
COVID-19	Coronavirus Disease
CST	Communication Service Tax
DDEP	Domestic Debt Exchange Programme
ECF	Extended Credit Facility
E-Levy	Electronic Levy
GDP	Gross Domestic Product
GHS	Ghana Cedis
GIADEC	Ghana Integrated Aluminium Development Corporation
GIFMIS	Government Integrated Financial Management Information System
GNRP	Ghana National Revenue Policy
GoG	Government of Ghana
GRA	Ghana Revenue Authority
H1	First half of the year
H2	Second half of the year
ICUMS	Integrated Customs Management System

Acronym	Meaning
IGF	Internally Generated Fund
IMF	International Monetary Fund
IPPs	Independent Power Producers
IT	Indicative Timeline
LEAP	Livelihood Empowerment Against Poverty
LI	Legislative Instrument
MDA	Ministries, Departments and Agencies
MTRS	Medium-Term Revenue Strategy
mn	million
MoU	Memorandum of Understanding
MPCC	Monetary Policy Consultation Clause
MTRS	Medium-Term Revenue Strategy
NHIS	National Health Insurance Scheme
OCC	Official Creditor Committee
PC-PEG	Post-COVID-19 Programme for Economic Growth
PFJ	Planting for Food and Jobs Programme
QPC	Quantitative Performance Criteria
SB	Structural Benchmark
VAT	Value Added Tax

Foreword (1/2)

"Restoring and Sustaining Macroeconomic Stability and Resilience through Inclusive Growth & Value Addition"

Anthony Sarpong

Senior Partner
KPMG Ghana

Countries all over the world have experienced economic volatilities over the last three years and Ghana has not been an exception.

The Ghanaian economy has experienced rippling negative impacts from the COVID-19 pandemic, global financial tightening, and Russia-Ukraine conflict, which worsened Ghana's fiscal and debt vulnerabilities. This was further worsened by the downgrade of credit rating and loss of international market access by the end of 2022. This, in turn, constrained domestic financing options, forcing the country to rely heavily on the central bank for funding, which has remained inadequate.

To achieve a turnaround, GoG a year ago in July 2022, announced its decision to request support from the International Monetary Fund (IMF) to implement its Post-COVID-19 Programme for Economic Growth (PC-PEG) in support of GoG's fiscal consolidation and inclusive growth agenda. Ghana's budget for 2023 introduced some intense tax revenue and expenditure measures, which among others included removal of selected VAT exemptions, complete removal of discount on benchmark values for specific items and E-Levy reforms to close loopholes/ leakages. To further improve patronage and enhance yield, implementation of the unified property rate collection, introduction of the Growth and Sustainability Levy (GSL), implementation of the VAT E-Invoicing system to enhance compliance, increasing VAT rate from 12.5% to 15%, revision of excise taxes for selected items, revision of income-based taxes were also intensified to restore macroeconomic stability and achieve debt sustainability among others.

Though the highlighted measures were implemented earlier in 2023, a successful implementation of the budget depended on securing a US$3 billion 36-month extended credit facility from the IMF. A staff-level agreement was reached in December 2022 between GoG and IMF, but full support was subject to concrete commitments to reduce the net present value of public debt to GDP ratio from 71.3% in 2022 to 55% by 2028.

On Monday, 31 July 2023, the Minister of Finance, Mr. Ken Ofori- Atta, presented the 2023 Mid-year Budget Review ("the Budget") to Parliament on behalf of the President. This sets the tone for Government's reviewed activities to achieve fiscal consolidation and pursue growth agenda.

The 2023 mid-year budget review is focused on revenue and tax administration enhancement measures for economic recovery following the pandemic and other global economic vulnerabilities. This is important to ensure effective management of tax expenditure and enhance revenue mobilisation.

It is worth noting that GoG's plan to ensure fiscal consolidation and pursue significant economic growth cannot be realised without effective and innovative tax administration strategies.

Foreword (2/2)

"Restoring and Sustaining Macroeconomic Stability and Resilience through Inclusive Growth & Value Addition"

Thus, it is comforting to see that the mid-year budget has not introduced additional taxes on businesses and entrepreneurs but rather focused on enhancing existing tax administration measures.

We therefore urge Government to continue its efforts in digitalising its revenue administration processes and systems to facilitate and sustain an enabling environment for businesses to thrive and minimize the cost of tax compliance. GoG should further focus on continuous monitoring of the revenue administration measures currently being implemented.

It is imperative that the private and public sectors find efficient and innovative ways to collaborate with GoG to implement the Post-COVID-19 Programme for Economic Growth (PC-PEG) .

At KPMG, we believe that public and private sector stakeholder dialogue should be sustained towards improving government's fiscal consolidation and economic growth agenda.

02

Executive Summary

Executive Summary

Mid Year Results

4.2%

GDP Growth Rate as at March 2023

42.5%

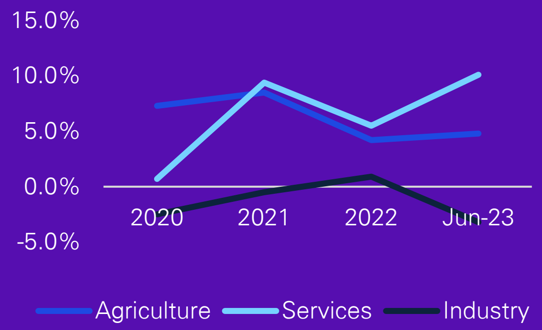
Inflation as at June 2023

30.0%

Monetary Policy Rate as at July 2023

Real Sector Performance

As of June 2023, the services sector saw remarkable growth at 10.1%, while agriculture recorded a positive 4.8% growth. However, the industry sector contracted by 3.2%.



Proportions of Interest Payments to Revenue & Expenditure for H1 2023

26% of Total Revenue

22% of Total Expenditure

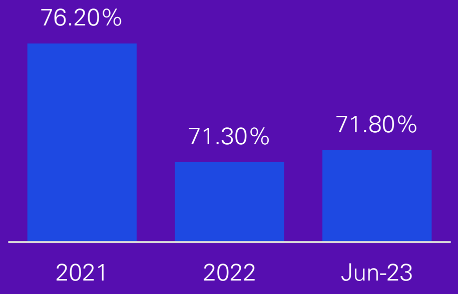
22.0% **Depreciation of GH¢ against USD - June 2023**

26.3% **Depreciation of GH¢ against GBP- June 2023**

23.8% **Depreciation of GH¢ against EUR - June 2023**

Debt to GDP

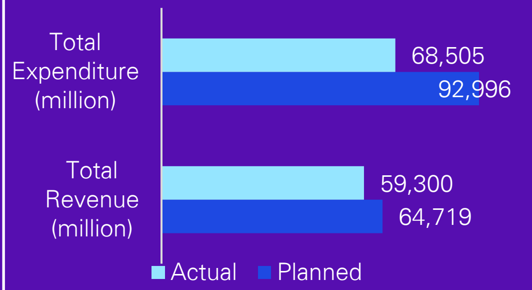
As at H1 2023, Debt to GDP ratio was 71.8% as compared to 71.3% as at December 2022 and 76.2% as at December 2021.



1.3%

Fiscal Deficit (on cash basis) as at June 2023

Fiscal Developments for H1 2023



Total Revenue as at H1 2023 is 8.4% below target for the period whereas total expenditure is 26.3% below target.

Executive Summary

Revised Targets

1.5%

Revised Economic Growth target for 2023 down from 2.8% target in the approved 2023 budget

31.3%

Revised Inflation target for 2023

> 0.8months

Revised import cover target for 2023

Revised Primary Balance Targets

GH¢10.1bn

The primary balance is a deficit of GH¢10,085 million (**1.2% of revised GDP**), up from the 2023 Budget estimate of a deficit of GH¢8,841 million (**1.1% of GDP**)

Revised proportions of Interest Payments to Revenue & Expenditure for 2023

33%

of Total Revenue

24%

of Total Expenditure

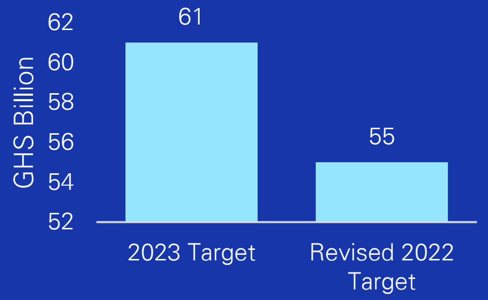
80%

Revised proportion of Tax Revenue to Total Revenue for H1 2023

13%

Revised proportion of Non-Tax Revenue to Total Revenue for H1 2023

Revised Fiscal Deficit (cash) target



The revisions in Government's fiscal operations reduces fiscal deficit (on cash basis) to GH¢54.9 billion (6.4% of Revised GDP) down from the originally approved 2023 budget deficit target of GH¢61.4 billion (7.7% of GDP).

6.4%

Revised Fiscal Deficit target (on cash basis) for 2023

(% of GDP)

Revised Fiscal Targets for 2023

GH¢134.9bn

Total Revenue & Grants

GH¢183.9bn

Total Expenditure

Executive Summary

Proposed Tax Administration Measures

1 **Development of Medium-Term Revenue Strategy (MTRS) Guide** to enhance public accountability and transparency of revenue policy within the Ghanaian economy in the short-to medium term.

2 **Review of the Tax Treaty Negotiation Policy to meet International Standards** and a further development of an accompanying Negotiation Manual to guide treaty negotiations.

3 **Development of Draft Legislative Instrument (L.I.) to the Fees and Charges (Miscellaneous Provisions) Act, 2022 (Act 1080)** to guide stakeholder engagements and to ensure the competitiveness of the fees and charges imposed by various Ministries, Departments and Agencies (MDAs).

4 **Development of Regulations to the Exemptions Act, 2022 (Act 1083)** to provide clarity to specified portions of the Act.

5 **Roll out of Administrative Guidelines, processes and returns on taxing of Gross Betting in second half of 2023.**

6 **Establishment of a Revenue Compliance Team** to monitor the effective implementation of the VAT Upfront Non-Registration Penalty at importation.

7 **Review of classification and values used in the Integrated Customs Management System (ICUMS)** to assist in product classification and enhance accuracy of import duties and tax assessment.

8 **Enhancement of Customs operations t**o improve the preventive operations and control of suspense regimes including special Free Zone audits

9 **Development of practice notes to guide the implementation of the Minimum Chargeable Income System** to support the effective implementation of the minimum chargeable income system scheduled for 2023 quarter 4.

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Ghana's Macroeconomic Context

Macroeconomic Snapshot

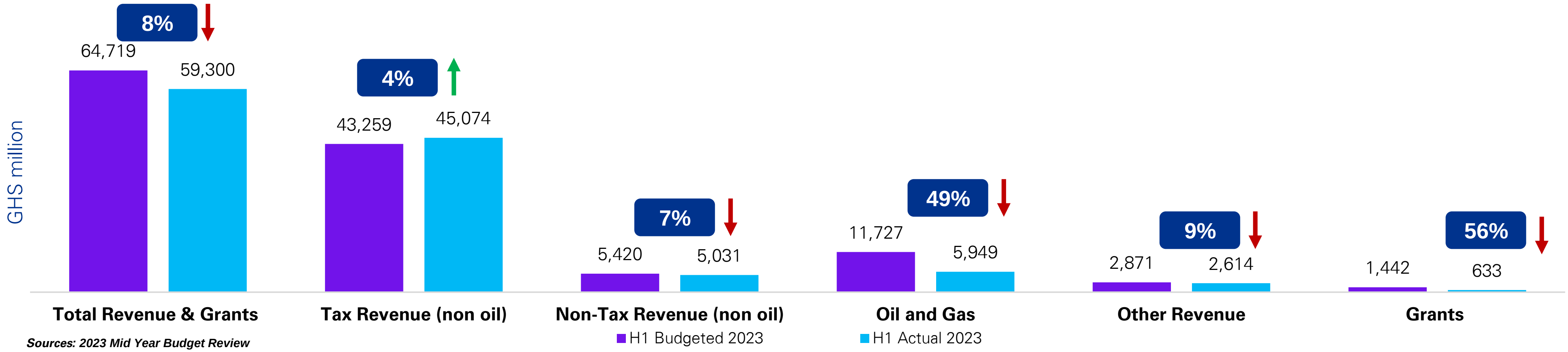
Macroeconomic Performance	2022 Revised Targets	2022 Outturn	2023 Revised Targets	2023 End of June Outturn
Overall GDP Growth Rate	3.7%	3.1%	1.5%	4.2%*
Non-Oil GDP Growth Rate	4.3%	3.8%	1.5%	5.5%*
End Period Inflation Rate	28.5%	54.1%	31.3%	42.5%
Fiscal Deficit (% of GDP) (cash basis)	6.6%	10.7%	6.4%	1.3%
Primary Balance (% of GDP)	0.4%	(3.2)%	(1.2)%	0.6%
Import Cover (Number of months cover)	≥ 3.5	2.7	0.8	2.5

** As at Q1 2023*

Source: Mid-Year Budget Statement 2023

Fiscal Developments for H1 2023

2023 Mid Year Revenue (Actual vs budgeted)

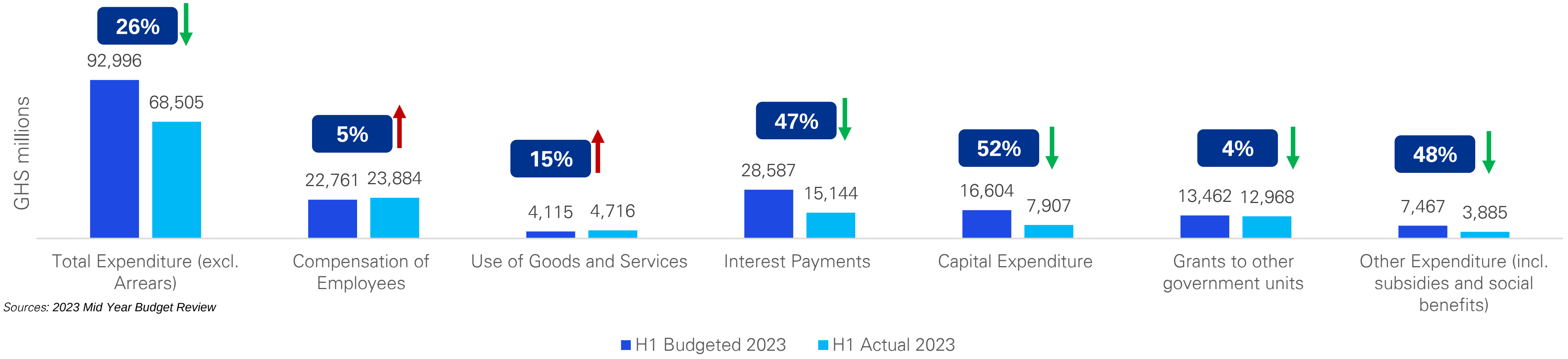


Sources: 2023 Mid Year Budget Review

- During the first half of 2023, total Revenue and Grants amounted to GH¢59,300 million. This figure fell short of the target set for the period by **8%**. The primary reason for this revenue shortfall was the lower-than-expected oil receipts during the period.
- Receipts from upstream oil and gas activities during H1 2023 was **49%** below the target. The shortfall was due to variances in the actual exchange rate applied and lower realized oil prices compared to the budgeted assumption. To address these challenges, the government should consider implementing robust exchange rate risk management strategies, conducting oil price sensitivity analysis, and exploring opportunities for revenue diversification. For H2 2023, oil revenue may decline due to forecasts of lower crude oil prices.
- Non-oil Tax Revenue improved primarily due to higher revenues from company taxes. Despite this performance from company taxes, the government received less than expected from International Trade Taxes, Petroleum Tax, E-Levy, CST, and Covid-19 Levy.
- The Non-oil Non-Tax Revenue fell short of the targeted amount by **7%**. The main factors contributing to the revenue deviation were the lower-than-anticipated MDAs' IGF Retention and IGF Lodgements. For H2 2023, it will be important to conduct an analysis to identify specific areas for improvement as well as implement measures to enhance revenue collection, monitoring and management at MDAs.
- The total grants received, all from project grants amounted to GH¢633 million. However, this figure fell significantly short of the target representing a substantial deviation of **56%**. The reasons for the shortfall require further analysis, but potential factors may include funding availability, project delays, and changing priorities. In order for the government to meet its revised upward projection for grants, it is essential for the government to strengthen collaboration, implement effective project monitoring and evaluation mechanisms, and explore opportunities for diversifying funding sources.

Fiscal Developments for H1 2023

2023 Mid-year Expenditure (Actual vs Budgeted)



Sources: 2023 Mid Year Budget Review

- The total expenditure for the first half of 2023 was GHS 68.5 billion, which is **26%** lower than budgeted. This was mainly driven by decreases in interest payments, capital expenditure and other expenditures.
- Interest payments, which were the largest expenditure category in the first half of 2022, are 47% below target in the first half of 2023. This is the only category of expenditure that has decreased significantly on a year-on-year basis. This decline is mainly due to the impact of the Domestic Debt Exchange Programme (DDEP). We anticipate that the outcome of the DDEP for H2 2023 will result in lower interest payments, resulting in a positive development for Ghana's fiscal position. This expectation is in line with the government's downward revision in interest payments by GHS 7.9 million.
- Capital expenditure comprising mainly of foreign financed CAPEX is **52%** below budget. For H2 2023, the government has revised CAPEX downwards by 23%.
- Compensation of employees accounted for 35% of total expenditure for H1 2023 and has increased by 40% compared to the same period last year. This increase can be attributed to the government's decision to increase the base pay on Single Spine Salary Structure by 30%.
- Use of goods and services for H1 2023 is about **15%** above target. It also recorded the highest percentage change on a year on year basis, showing over 100% increase compared to the same period last year. This is likely due to a number of factors, including the rising cost of living in Ghana.
- Overall, the government's expenditure figures for the first half of 2023 are positive. The government should continue its efforts to sustain fiscal discipline to meet the target of reducing the budget deficit from the initial target of 7.7% of GDP to 6.4%.

Monetary Sector Developments

Interbank Weighted Average Rate	Average Lending Rates of Banks (June 2023)	Inflation Rate (June 2023)	Monetary Policy Rate (July 2023)	Depreciation of GH¢ against US$ June 2023	Depreciation of GH¢ against £ June 2023	Depreciation of GH¢ against € June 2023
↑ 26.01%	↑ 31.15%	↑ 42.5 %	↑ 30%	↑ 22.0%	↑ 26.3%	↑ 23.8%

Source: *2023 Mid Year Budget Review*

- As an import-reliant economy, high demand for major trading currencies amid low levels of international reserves has spurred a significant depreciation of the Cedi. The cedi had depreciated by 22%, 26.3%, and 23.8% against the US dollar, British Pound and Euro from January to June 2023, respectively.
- The pass-through effects of currency depreciation to inflation was felt in the first half of 2023, with Ghana recording an inflation rate of 42.5% in June 2023. Consequently, it is not startling that recent monetary policy has been heavily targeted at reducing inflationary pressures. The monetary policy rate was hiked to 30% in July 2023, with negative repercussions on borrowing costs. As a result, the average commercial banks' lending rate had increased to about 31.15%.
- Looking ahead, a revised end-of-period inflation target of 31.3% has been projected in 2023, reflecting a possible further tightening of monetary policy, and gains from fiscal consolidation.

04

IMF-Supported Programme for Economic Growth

Background

On 17 May 2023, the Executive Board of the International Monetary Fund (IMF) granted approval for a 36-month Programme under the Extended Credit Facility (ECF) amounting to SDR 2.242 billion, which is approximately equivalent to US$3 billion

Objective

Anchored on the Government's Post COVID-19 Programme for Economic Growth (PC-PEG), the main objective of the IMF-support is to restore macroeconomic stability and debt sustainability, build resilience through the implementation of wide-ranging and strong structural reforms, and lay the foundation for stronger and more inclusive growth, while also protecting the poor and the vulnerable.

Source: 2023 Mid Year Budget Review

Key Priority Targeted Interventions under the IMF Programme

Fiscal consolidation

This is to bring public finances back on a sustainable path. The programme envisages a cumulative fiscal adjustment of 5.1 percentage points of GDP over the programme period (2023-2026). The fiscal consolidation will be executed by both mobilising more domestic revenue, and improving the efficiency of spending.

Enhancement of existing social protection programmes

This will be done through existing programmes including the Livelihood Empowerment Against Poverty (LEAP), National Health Insurance Scheme (NHIS), the Capitation Grant, and the School Feeding Programme.

Structural reforms

Strong and ambitious reforms in tax policy, revenue administration, public financial management, financial sector, as well as strong measures to address weaknesses in the energy and cocoa sectors.

Monetary Intervention to tackle inflation

This involves implementing prudent monetary policies, including appropriate tightening measures and discontinuing monetary financing of the budget.

Focus on Preserving Financial Stability

This is to support private investment and growth; as well as create jobs following the Domestic Debt Exchange Programme (DDEP).

5.1%

Cumulative fiscal adjustment of GDP(2023-2026)

0.5%

Primary deficit (commitment basis)

Review and assessment framework under the Extended Credit Facility (ECF)

The Programme's first review has been scheduled to commence in September 2023 with an IMF Staff Mission and November 2023 for the IMF Executive Board meeting. The Programme reviews will assess semi-annual target realisation through Quantitative Performance Criteria (QPCs), Indicative Targets (ITs), and a Monetary Policy Consultation Clause (MPCC). Structural Benchmarks (SBs) will also be assessed at each review. Outlined below are the timelines;

June 2023

- Finalize the comprehensive stock-take of payables accumulated by all MDAs, design a payable clearance plan and lay out a structural reform plan to reduce future accumulation of arrears.
- Finalise strategy to strengthen the financial sector and rebuild financial institutions' buffers in collaboration with the Fund Staff
- Publish the updated Energy Sector Recovery Plan

September 2023

- Publish a strategy - after cabinet approval to streamline statutory funds.
- Publish a medium-term revenue strategy approved by cabinet consistent with the agreed fiscal adjustment under the programme
- Approve plans of all banks, negotiated during the previous quarters, to rebuild capital buffers and initiate corrective actions on institutions whose plans are not deemed credible.
- Introduce an indexation mechanism of the benefits under the Livelihood Empowerment Against Poverty

December 2023

- Operationalise the Integrated Tax Administration System
- Expand GIFMIS infrastructure to 265 IGF-reliant institutions with all the available functionalities

Key Milestones

17 May 2023

The country received IMF Executive Board Approval

19 May 2023

The IMF released the first tranche of about US$603 million to Ghana

September 2023

First review of the programme and after successful completion, the second tranche of about US$600 million will be released to the country

Next 3 years

The remaining US$1.8 billion will be released in 5 equal tranches of about US$360 million each upon successful reviews over the next three years.

Source: 2023 Mid Year Budget Review

Programme performance

The latest assessment of Programme performance using end-June 2023 provisional data show that the country is on course to meeting the targets set under the Programme for the 1st Review

Cumulative build up of Net International Reserve

US$1.03bn as at June 2023

Primary Fiscal Balance (on commitment basis)

GH¢ 8.8bn surplus

This surplus is 1.1% of GDP against the end-June programme target of a deficit of GH¢4.0 billion (subject to payables review).

Inflation

42.5%

well within the MPCC inner target range of 42.1 percent, with an inner band of ± 3 percent under the MPCC.

Others

- Zero change in claims of the Bank of Ghana to the Central Government and public entities in line with zero financing target
- The present value of newly contracted or guaranteed external debt by the central government and public entities is line with the Programme objective
- The non-accumulation of external debt payments arrears by the Central Government and the Bank of Ghana is in line with the Programme objective.
- Newly contracted collateralized debt by the central government and public entities is in line with Programme the objective

Source: 2023 Mid Year Budget Review

Programme performance – Indicative Targets

The country has made some progress on the three indicative targets under the programme as at June 2023

GH¢ 50.1bn

Non-oil Public Revenue

- Non-oil public revenue amounted to GHS50.1bn in line with the programme target

GH¢ 1.7bn

Social Spending

- Social Spending on LEAP, NHIS, Capitation Grant and the School feeding Programme amounted to GH¢1.7bn

GH¢ 3.5bn

Payables

- Net change in the stock of payables of the Central Government and of payables to IPPs, provisionally stood at about GH¢3.5bn from the end-December 2022 position.

Source: 2023 Mid Year Budget Review

05

Ghana's debt situation

Ghana's debt situation

Overview of key trends in Ghana's Debt Stock

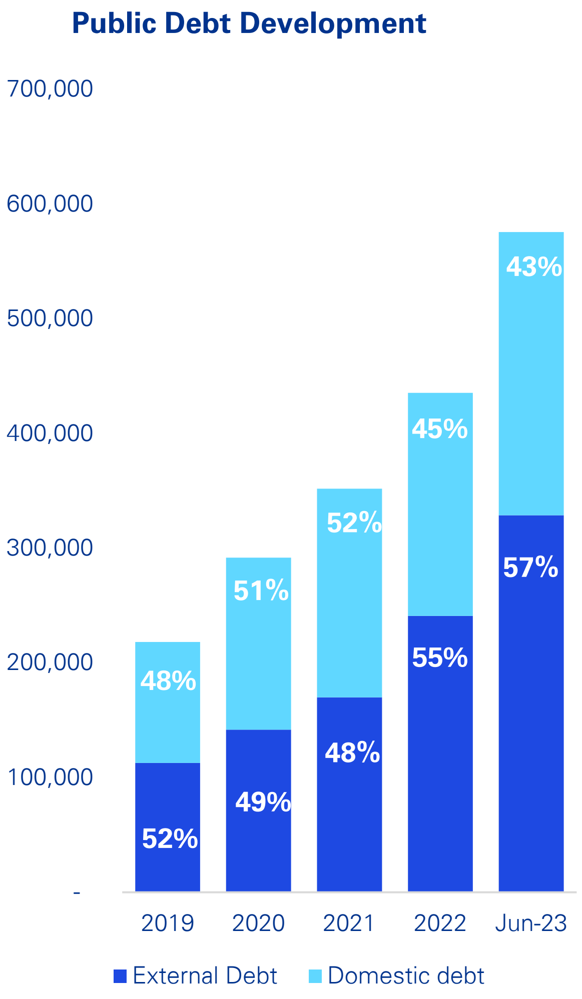
- The nominal value of Ghana's debt stock, as at June 2023, stood at GHS 575.5 billion, representing a debt-to-GDP ratio of 71.8% and up from 2022 end period nominal value of GHS 435.3 billion. From 2018 to 2022, the debt stock had been growing at a CAGR of approximately 25.9%. On average, the debt stock had been equally weighted between domestic and external debts between 2018 and 2022. The composition of the external debt stock to total debt has increased from 55% in December 2022 to 57% in June 2023.

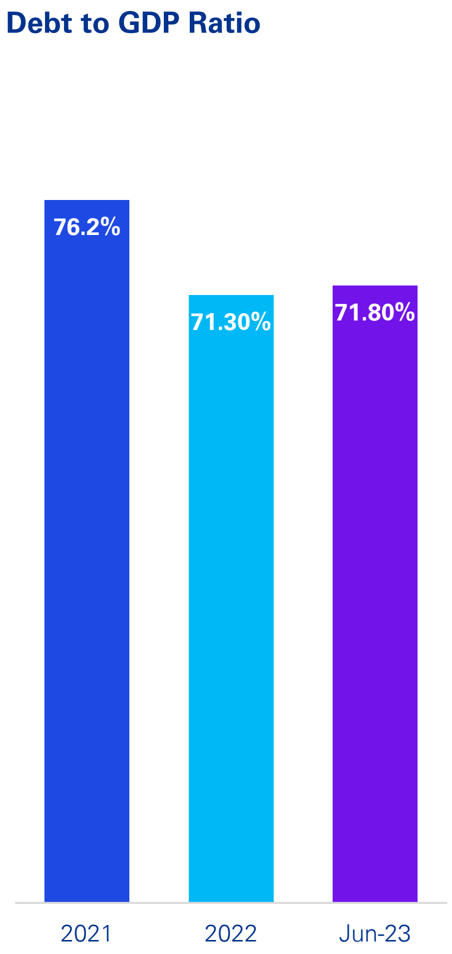
Key Drivers of the Debt Stock and Loan Portfolio

- The country's substantial development requirements and intricate socio-political landscape means that Ghana has had to rely on borrowings. The COVID-19 pandemic also induced more borrowings, increasing the debt-to-GDP ratio from 62.4% in 2019 to 76.1% in 2020. In addition, shortfalls in budgetary provision from the energy sector have contributed to the worsening debt situation in Ghana. Globally, the Russia-Ukraine conflict have also had impacts on the global supply chain resulting in fiscal and inflationary pressures.
- One other important factor that significantly affects the debt composition is depreciation of the Cedi, which impacts the Cedi equivalence of external debt. For instance, of the GHS 70,909.78 million increment in the external debt stock in 2022, 94.8% of the total nominal increase was due to depreciation of the local currency while only 5.2% resulted from transactions.

Key initiatives aimed at managing the situation

To alleviate the debt situation in the country, the government announced the domestic debt exchange programme (DDEP). Other initiatives by the government to reduce its debt deficit was to cut down on spending particularly CAPEX expenditure and this is evident in the results for the half year. In addition, the implementation of the IMF supported PC-PEG programme will also help to restore overall debt sustainability in the country.





Source: 2023 Mid Year Budget Review

Ghana's DDEP

The Domestic Debt Exchange Programme (DDEP) aims to ease the debt burden in a most transparent, efficient, and expedited manner while minimising its impact on investors.

1 Phase I of DDEP

The first phase of DDEP began when the government invited eligible bondholders to exchange their existing holdings for new bonds. This was initiated in December 2022 and on completion in February 2023, 85% of eligible bonds (equivalent to GHS 82.9 billion) were restructured. The bonds exchanged included treasury bonds, ESLA bonds and Daakye bonds excluding holdings by pension funds. The exchange also excluded treasury bills. The exchange resulted in a reduction in average coupon rate from 19.1% to 9.1% and an increase in combined average maturity from 3.8 years to 8.3 years.

2 Phase II of DDEP

The second phase of the programme has commenced with the launch of the local US dollar-denominated bonds and Cocoa bills by the Government and COCOBOD respectively.

The US dollar-denominated bonds will be exchanged for 2 new bonds at 2.75% and 3.25% coupons, maturing in 2027 and 2028 respectively.

Existing cocoa bills are also expected to be exchanged for 5 new Cocoa bonds with maturity dates between 2024 and 2028. The terms include 5.0% of the amount to be exchanged against 2024 bond, 20.0% against 2025 bonds and 25.0% each against 2026, 2027, and 2028 bonds.

Post DDEP Outlook

- Government aims to reduce the net present value of public debt-to-GDP ratio from 71.8% in June 2023 to 55% by 2028.
- Going forward, successes in the second phase of DDEP, as well as restructuring of external debts and debts owed to energy sector independent power producers, and other non-marketable debts would provide some respite to the government.
- We expect that although the outlook of Ghana's public debt is consequent on the success of the ongoing debt restructuring programme and its growth trajectory, adherence to conditionalities, especially pertaining to debt sustainability and fiscal discipline would instil investor confidence and pave the way for economic recovery.

Source: 2023 Mid Year Budget Review

Ghana's DDEP Timelines

5 December 2022

The Government of Ghana launched the DDEP inviting holders of eligible bonds to exchange their existing holdings for new bonds.

19 December 2022

The Government announced an external debt service suspension for certain categories of external debt, pending an orderly restructuring.

22 December 2022

A Memorandum of Understanding (MoU) was signed between the Government and Organised Labour to exempt pension funds from DDEP.

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14 February 2023

Government successfully completed the first phase of the DDEP. 84.9 % participation rate representing GH¢83bn out of the total eligible bonds of GH¢97.7bn

April 2023

The government announced its intention to continue discussions regarding debt exchange operations involving domestic debt perimeters such as Energy sector Independent Power Producers (IPPs); Cocoa bills; Local US dollar-denominated bond; and Non-marketable debt.

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12 May 2023

The Official Creditor Committee (OCC) for bilateral creditors was created with China and France Co-chairing the Committee.

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17 May 2023

The IMF Board approved Ghana Programme.

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14 July 2023

The Government and COCOBOD launched local US dollar-denominated bonds and Cocoa bills exchanges, respectively

4 August 2023

Closing date for the US Dollar denominated bonds and Cocoa bills exchanges

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06

Tax Highlights

Tax Administration Measures [1/2]

Government of Ghana (GoG) in its quest to address the revenue mobilization gap to meet its medium term tax-to-GDP ratio of 20%, ensure fiscal consolidation and work at the growth agenda has adopted the following targeted tax administration interventions:

A – Proposed Administrative Measures for Existing Enactments/ Agreements

1. Tax Treaty Negotiation Policy to meet International Standards

The government has reviewed and updated its policy on tax treaty negotiation to conform with international standards. GoG has further developed an accompanying negotiation manual to guide treaty negotiations, as well as an Administration Manual to guide tax auditors within the Ghana Revenue Authority (GRA) on tax treaty administration.

2. Draft Legislative Instrument (L.I) to the Fees and Charges (Miscellaneous Provisions) Act, 2022 (Act 1080)

As a means of ensuring the competitiveness of the fees and charges imposed by various Ministries, Departments and Agencies (MDAs), government has prepared a draft Legislative Instrument to the Fees and Charges (Miscellaneous Provisions) Act, 2022 (Act 1080) to guide stakeholder engagements before laying in Parliament.

3. Draft Administrative Guidelines and Development of Regulations to support the Exemptions Act, 2022 (Act 1083)

GoG has completed the development of the draft administrative guidelines to offer detailed guide on the Tax Exemption Act, 2022 (Act 1083). The development of the regulations to provide clarity to specific portions in support of the Exemptions Act is equally underway.

4. Development of Regulations to the Exemptions Act, 2022 (Act 1083) to provide clarity to specified portions of the Act.

GoG is in the process of developing regulations to guide the usage of the Tax Exemptions Act 1083.

Our point of view

With Government of Ghana's key objective of aligning the 2023 Budget to the IMF-supported PC-PEG macro-fiscal path to ensure fiscal consolidation and enhance the economy's growth agenda, government passed some bold fiscal measures - both revenues and expenditures - in the 2023 Budget & its subsequent implementation. However, in the 2023 mid year budget review, owing to the austere nature of the economy, GoG focused its revenue mobilisation efforts instead on tax revenue administration measures to support the effective implementation of the Acts passed other than introducing new tax revenue policies to inundate private sector and entrepreneurs.

We believe that this is a step in the right direction to provide systematic guidelines to the business community towards effective compliance with the already passed Acts. This will provide ease of compliance for the business community.

We however wish to urge government to hasten the process to complete and fully roll out these administrative guidelines. Government should also adopt strong commitments towards monitoring all the administrative guidelines, and take all the necessary corrective actions where necessary, to yield the optimum revenues to government.

Tax Administration Measures [2/2]

5. Development of Practice Notes to guide the implementation of the Minimum Chargeable Income System

The Ghana Revenue Authority has developed practice notes to support the effective implementation of the minimum chargeable income system scheduled to begin in 2023 quarter 4.

6. Roll out of Administrative Guidelines, processes and returns on taxing of Gross Betting in second half of 2023.

B – New Proposed Administrative Measures

7. Establishing a Revenue Compliance Team to monitor the effective implementation of the VAT Upfront Non-Registration Penalty at importation.

8. Reviewing of classification and values used in the Integrated Customs Management System (ICUMS) to assist in product classification and enhance accuracy of import duties and tax assessment.

9. Enhancement of Customs operations

The Ghana Revenue Authority is putting in consistent efforts to enhance preventive operations and control of suspense regimes including special Free Zone audits to reduce the risk to revenue and improve revenue inflows and enhance government's revenue mobilisation drive.

Our point of view

The Government of Ghana appears to be adopting a tax administration approach to effective revenue mobilisation rather than introducing new tax policies.

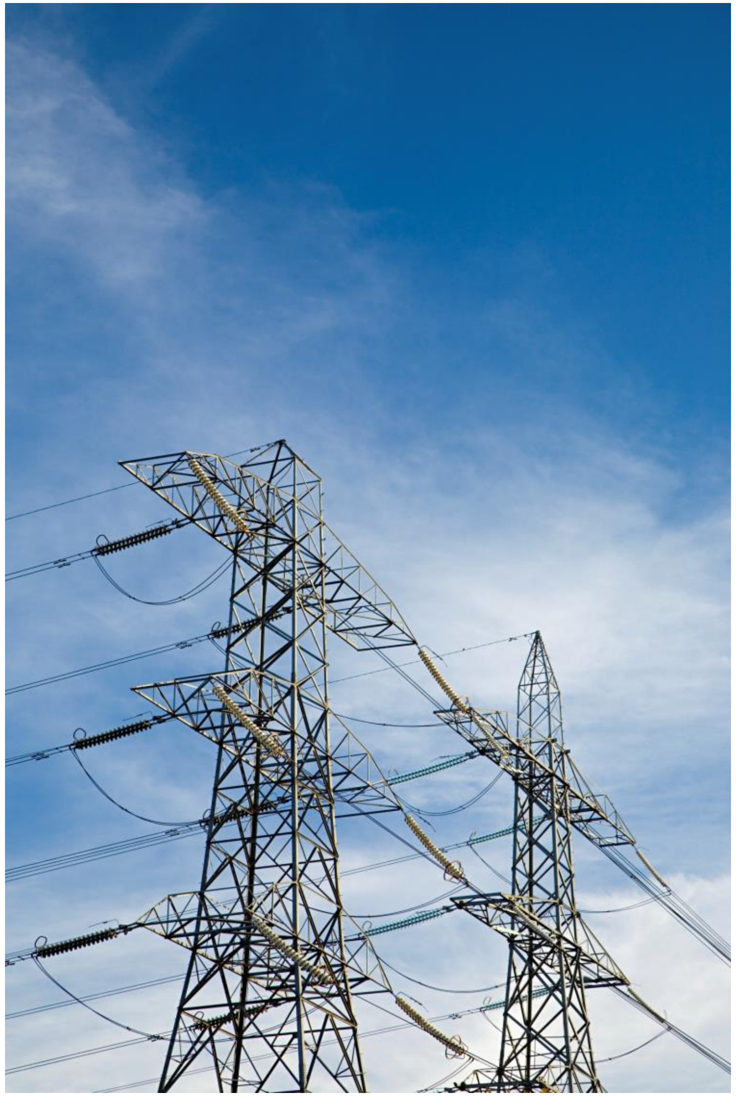
Businesses are advised to be on a watch out on their compliance levels to mitigate any adverse effects from penalties and interests on non-compliance. We therefore advice businesses to employ the CCTV approach to tax compliance (i.e. Compliance, Consulting, Transferring compliance risk, and being Vigilant),

We also wish to implore GoG to focus earnestly on the digitalisation agenda to help in tracing and tracking taxpayers to assist in realising optimum tax revenues. We would like to caution government to not only introduce these new tax administration measures, but rather to implement strong commitments towards monitoring all the tax administration measures, and take necessary corrective actions to widen the tax net.

07

Other Key Sector Updates

Energy and Natural Resources



Commencement of the Energy Sector Recovery Programme (ESRP) Phase 2

A key reform initiative under Phase 2 of the programme is the redesign of the Cash Waterfall Mechanism (CWM) to address existing weaknesses and to ensure sustained cash flow in the energy sector as well as uninterrupted supply of electricity. This is aimed at addressing the excess capacity payments which have led to significant debts in the sector. The new model will further ensure that the country does not rebuild arrears in the power sector as well as improve the country's overall debt sustainability.

Government to work with ECG to Implement a customer regularisation programme

The programme, when implemented, is expected to lead to the metering of 1.6 million customers. This will generate additional revenue to ECG to fully pay for invoices submitted by IPPs and SOEs. It is expected that when this is achieved, MoF will no longer be required to pay for any shortfalls in the energy sector, as the sector becomes financially viable.

Private Sector Participation (PSP)

The Ministry of Energy is working on the PSP policy which will allow for private participation in the retail end of ECG's business (billing, collection, among others). This is expected to improve collection efficiency and reduce losses as well as shortfalls in the sector. The policy is expected to be rolled out by end-2023.

IPP Power Purchase Agreement (PPA) renegotiations

Government has constituted a Government Negotiation Team to renegotiate with six (6) IPPs on the terms of their PPAs. Agreement reached with the IPPs will ensure that only energy consumed will be paid for and not capacity charges. This is expected to reduce Government's arrears obligation to IPPs significantly.

Energy Sector Legacy Debt Validation Exercise

Government is undertaking the Energy Sector Legacy Debt Validation exercise which is expected to lead to a net-off of the sector legacy debts among the sector entities, leaving the books of the entities cleared for a financially sustainable energy sector. Preliminary audit up to 2022 has been issued for comments before finalisation.

The Natural Gas Clearinghouse (NGC)

The NGC ensures that the relevant SOEs in the energy sector (GNPC, VRA & GNGC) contribute to the payment of gas supplies by the Sankofa Partners. This effort will help reduce the sector shortfall which ordinarily GoG (MoF) would be obligated to pay.

Financial Services

Support for the financial system under the GFSF framework

Government, with support from the IMF and the World Bank, has agreed to further implement reforms that will strengthen the financial sector, and remove binding constraints to credit growth and the development of the domestic capital market. This would help to further strengthen the financial system and rebuild capital buffers to improve resilience.

Recapitalisation of all state interest banks

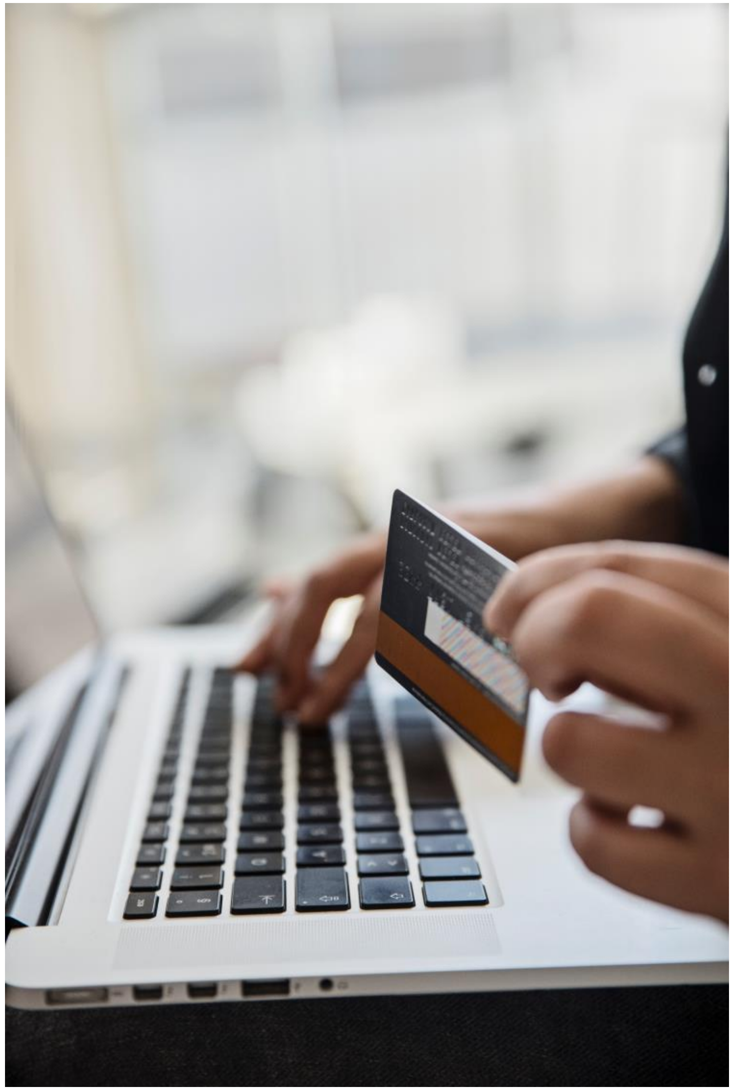
Government's direct budget funding under the GFSF framework will focus on ensuring the recapitalisation of state interest banks such as GCB, CBG, ADB and NIB, among others. This is expected to be completed by end-September 2023. Following from this, Government will also streamline the strategic focus of all state-owned banks to ensure that they better support areas of the economy such as agriculture, industry, and key SMEs.

Recapitalisation of the state-owned SIC Life Insurance Company

Government to strengthen and preserve the resilience of the insurance industry, including the recapitalisation of the state- owned SIC Life Insurance Company, and work to restore normalcy in the debt capital market to improve liquidity, especially for capital market institutions. This is important in positioning the country to continue to expand the frontiers of private sector growth.

Government to support GAT-assisted banks

The Government to support GAT-assisted banks and other locally controlled privately-owned banks that request assistance from the GFSF in line with the operational framework agreed with the IMF and the World Bank. The World Bank facility under the GFSF will provide a debt only (non-equity dilution) capital support to banks, both foreign-owned and locally-owned to support their strong recovery post the DDEP.



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